ECC
EDGEWOOD CHILDREN'S CENTER

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Charitable Remainder Trusts

A charitable remainder trust is an ideal vehicle for making a lifetime charitable gift to Edgewood Children's Center without losing the income generated by the donated property. A charitable remainder trust is an arrangement which places assets of your choice in trust. During your lifetime, you receive all or a portion of the income generated by the trust assets (and, if desired, a portion of the principal of the trust) each year. After your death (or after the deaths of both you and your spouse), the trust assets pass to Edgewood Children's Center.

Several tax advantages accompany a gift by you to a charitable remainder trust. First, you will receive an immediate income tax deduction for the present value of Edgewood Children's Center's interest in the trust which comes into existence at your death (or at your spouse's death). [The tax law requires that the value of the Edgewood Children's Center's remainder interest in the trust be equal to at least 10% of the fair market value of the property which is contributed to the trust, as of the date it is contributed.] Second, the trust will be able to sell any donated securities or other appreciated assets tax-free, thus allowing the trustee to reinvest the full amount of the proceeds from the sale in assets which will provide a much higher level of current income for you and your spouse. Finally, the trust assets will effectively be removed from your (and your spouse's) taxable estate for federal and state estate tax purposes. If desired, a portion of the income tax savings and additional income generated by the reinvested assets can be used to purchase a life insurance policy on your life (or on the joint lives of you and your spouse) which can then replace the value of the donated assets, so that your family's inheritance is not affected by the gift.

For example, assume an individual who is 70 years old donates stock with a fair market value of $100,000 and a cost basis of $10,000 to a charitable remainder annuity trust. Assume further that the stock is currently paying an annual dividend of 1%. The trustee sells the stock tax-free and reinvests the proceeds in other assets that yield 7%, and pays the income to the donor. The donor's income will increase by 6%, and he or she will receive an income tax deduction equal to approximately 41% of the value of the donated assets (based upon the I.R.S. discount rate in effect for the month of March, 2001), for the value of the Edgewood Children's Center's remainder interest in the trust. If desired, the individual may then use all or a portion of his or her increased income and income tax savings to purchase life insurance to replace the value of the assets which pass to Edgewood Children's Center on his or her death.

There are two types of charitable remainder trusts: annuity trust and unitrusts. The charitable remainder annuity trust offers a fixed-amount payout each year while the charitable remainder unitrust pays out a fixed percentage of the value of the trust assets, which are revalued annually. Although the annuity trust provides no protection against inflation, it eliminates the hassle and expense of revaluing the trust assets each year. The unitrust requires more administration costs but offers the life beneficiaries more control over the flow of income. As the donor, you can choose the type of charitable remainder trust that is best suited to your needs.

A planned gift qualifies you for ECC's Ann M. Perry Legacy Society.